Wealth Markets and Commerce

Finance - Economics

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Every barrel of oil that flows from a well swells the income of the producer; but it also reduces the value of the property, since the life of a well necessarily is limited, and once the flow ceases the owner has nothing but a hole in the ground, plus some second-hand machinery. Therefore the claim of oil producers that in making tax returns they should be allowed reasonable deductions for depletion, as in the case of mines, would seem to be well founded. It is said that the country faces a shortage of petroleum, and if that is true nothing should be done that would tend to discourage exploration work, for the only way in which the optput can be maintained is by bringing in new wells to take the places of those that are exhausted. And the business of wildcatting for oil is extremely hazardous and, with materials and labor at the present high levels, expensive. In the oil fields east of the Rockies there were completed in August 2,364 new wells, and of this number 561, or approximately one-quarter, were dry, while 210 others produced only gas. Only under the prospect of very high returns will such exploration continue. Reduce that prospect too much and new production inevitably will fail just when it is needed most.

Wall Street was amazed by the statement attributed to Mr. Kitchin that syndicates were being formed all over the country to buy small lots of Liberty bonds, dumping them in bulk, even at a loss, for the purpose of depressing prices, thus, as the reports put it, "preparing the way for a future advance of Liberty Loan interest rates to 5 or even 6 per cent." Obviously, if any such scheme is in operation it must be engineered by enemies, since bondholders could not possibly hope to profit by it. It is hard to believe, however, that there is any solid foundation for the statement.

Revenues or Resources?

Senator Smoot is being severely censured for remarks which contain a kernel of essential and important truth. In point of strict form, it is an error, doubtless, to assert that we cannot collect eight billions of taxes at the same time with floating sixteen billions of loans; an error also to deny that we can spend the twenty-four billions after we get them. In ultimate truth, also, these are not two separate problems, but merely two aspects of the same problem. The utmost limit of what we can get is found in that share of its current product that the American people can be persuaded or compelled to go without. This reports all that the government can buy with the funds that it gets. It reports also the limit of the funds that it can get to buy with.

It is only superficially and misleadingly that war finance appears to proceed independently of the national income of product—an error into which the fallacious confusion of money with wealth and with product, the mysteries of credit and the hocus pocuses of banking combine to delude the unpractised thinker. In the substance of his thought Senator Smoot has not blundered; instead he has touched the heart of an eternal and inflexible truth. There are limits beyond which no country can go in war activities—limits prescribed in part by its productive capacity, in part by the direction of its production, in part finally by the economy of its civil consumption. Money and credit solve no real problems; nor even do taxes or loans touch the finalities of the actual case. It is only what we produce and, having produced it, do not consume at home that we can send abroad either for our own armies or in aid of our allies. War supplies are in the nature of a margin, a differential, between productive achievement and civil consumption. Our largest possible total of productive output subjected to the minimum of subtraction for nonmilitary purposes, sets, therefore, the utmost limit to what we can apply to military ends.

But to spend twenty-four billions in war means that close to one-half of our national income is to be set aside for the purposes of war. It is probably not true that this is an undertaking beyond our possibility of achievement. Our margin of productive power above the rigid necessities of living is unequalled in any other country. We could do the thing; perhaps we may come near some day to doing it; but as yet we have hardly made a beginning toward doing it. And time presses; it is for this next year that we are undertaking it. We see our way in terms of dollars, but not of things. The outcome will be that we shall get the dollars but shall not get the things. They will escape us in the veiled mystery of a new level of prices. Somehow out of it all the dollar will have shrunk in potency for the command of goods. So always it must, if our methods furnish us dollars without at the same time creating for the dollars, or preserving for them, a balance of goods for them to buy.

For this purpose, it matters not at all whether the method be by borrowing or by taxing, or by both together, excepting as these different methods may bear differently on the production and the economy that they are to stimulate. Always the one question stands clearly forth: How far can we proceed in the expansion of our production and in the restriction of our ordinary consumption—how great can we make the balance of our productive power available for the service of war?

We can push the prices up, doubtless, a method the very ease of which should render it suspect—but it gets us no more goods and no greatly different goods, and helps not much in restricting their wasteful use. Confused in the mysteries of prices, we forget the realities in the problem—the necessity for general sacrifice—and hold it both right and possible that wages rise to correspond with prices, that real wages shall not be impaired, the command over products narrowed, the standard of living reduced. Similarly with persons, profits, salaries. Our giving is to be with no diminution of our having. But where, then, are to be achieved the economies—the more things that, unconsumed at home, may be sent abroad? Far be it from us that the farmer or the artisan shall prosper less or the profits be smaller, or the net dividends lower, or the investor lack especially attractive opportunities for investment.

But if no one is to suffer privation or any one to submit to serious sacrifices, where are all the goods to come from? The government can neither buy nor spend but as the citizen turns over to it and goes without. One needs merely to look about him. Where are the privation and the sacrifice and the foregoing? But twenty-four billions spent for war and subtracted from individual spending mean $240 per capita—men, women, octogenarians, cripples, parasites, decorative women, babies, kindergartners, invalids, baseball players. Twenty-four billions means $700 a breadwinner, inclusive of the boys and girls at work upon the farm, the cash boys, messengers, shop girls, domestic servants, typists, delivery men—where women could serve—factory hands, movie artists. It is $1,200 a family.

Those critics of Senator Smoot, therefore, that see anywhere about them the evidences of this degree of restriction of personal spending, this contribution of things to the government that is needing things, this level of self-imposed sacrifice, may fairly denounce the Senator's opinions and condemn his heresies. Whenever, likewise, Senator Smoot comes to observe the per capita of American expenditure cut down to three-fifths of its ordinary standard, he, doubtless, will publish his contrition and request his penance. Seeing one decorative woman newly at work at worth-while tasks for every ten men that have gone into the shipyards, the munition plants, the camps and the trenches, he will acquire a 10 per cent faith in the adequacy of our production to our new undertakings of national consumption.

Shall we, indeed, have a 40 per cent saving of oil to run the ships? Save "gas" one day in seven? Is there a shortage of factory and freight coal in prospect? Let a few of the electric flares be dimmed a night or two each week. Is sugar lacking? We shall—if we will—buy our candy henceforth in pound packages. Is leather short? The women's shoes shall be shortened to only half way to the knee; but the pig skins may still continue to go into the garbage pails. Shall we consume two-fifths less food? Substitute one food for another.

Senator Smoot is probably wrong in his estimate of what America can do when it must, and when, also, it comes to realize that it must. But he is right as to what we are doing and as to our present methods of doing it. There is no way of putting twenty-four billions of products and services into war unless by going without them for other uses—no way of accomplishing things by not doing them—no giving with keeping—no bread eaten over there that has already been eaten here—no legerdemain or substitutions against the realities of the things that confront us—no new essentials excepting on terms of foregoing the habitual non-essentials—no achievements beyond parallel but by sacrifices without stint.

Our ultimate problem is nothing more nor less than to get down to a three-fifths standard of living. Unparelleled productive power gets us nowhere so long as it is attended by the equally unparalleled consumption that it has made possible and habitual. The simple truth is that our war must be won by going without things at home; that we have as yet achieved no working vision of this truth; are yet in no way of accepting it, and that no one imposes our submission to it.

We are, it is true, making progress—a progress superbly rapid, if only the time were not so short—as witness our eight billions of new taxes—but the truth is still with Senator Smoot that nothing like two-fifths of our resources in current income for allotment to war is yet within the range of sane belief. We have yet to realize that this allotment must be made, or in default of this that the implacable requirement must be imposed upon us—an extreme of sacrifice for the necessity of which we have as yet no appreciation. *This means taxes.*

In any case, we shall not fail to collect the twenty-four billions, but we shall collect them by ways that in their very nature will prevent our getting two-fifths of the national product. The money will lose its purchasing power in the processes by which we get it. Two-fifths of the civilian income cannot be had from the citizens by any method of free choice. The rates of interest that might seem to promise the funds would not bring them, but, instead, would put in question the national credit, set about a revaluation of all securities, with an attendant débâcle in the stock exchanges. The only method other than taxes that can get the twenty-four billions will get them through inflation processes—the dollars but not the purchasing power. It will be twenty-four billions on a new price level. Whatever the number of dollars collected, two-fifths of the national income can go to the government only through processes that restrict civil consumption by the same fraction, since only so can the goods remain for government purchase and use. Only that can be bought that is left to buy. All government buying power comes solely from citizen consuming power, on terms of displacing it.

Senator Smoot is, therefore, correct in his essential thought, though falling somewhat short of accuracy in technical expression: "We cannot produce or get that much worth"—two-fifths—"of war materials or services in a year"—that is, we cannot consistently with the other things that we are intent on doing and on having, and are still permitted by Mr. Smoot and his colleagues to go on doing and having.

And still there is no lack of heart and will and purpose in the American people—more ready to do than are their leaders to believe and to require—hungry for service, keen for sacrifice, impatient for the burdens that are not imposed and of the half measures that hint of distrust, prepared for any duty that they understand—prepared even and prompt for any duty that they do not understand, so it is required in the great name of their high cause. Our rulers must take heart. We demand nothing from them but to show us the way, asking not even to see it, but only to enter upon it and to press forward in it. But our leaders, we think, should be at our front.

Money and Credit

Loans and discounts of the New York Clearing House decreased $31,790,000 last week, making the aggregate of such items at the close of business yesterday $4,516,374,000. Net demand deposits decreased $717,000, to $3,721,280,000. United States government deposits totalled $181,016,000, compared with $231,947,000 a week ago.

The Federal Reserve Bank of New York reported gold in vaults and settlement fund at $331,946,976, against $406,590,159 a week ago. Total reserves moved from $766,426,984 to $691,480,669. Federal Reserve notes outstanding aggregated $747,033,355, compared with $742,293,355 a week ago.

Bank Acceptances.—Rates yesterday were as follows:

Spot delivery:	Thirty days. Per cent.	Sixty days. Per cent.	Ninety days. Per cent.
Eligible member banks	4¼@4	4⅜@4¼	4⅜@4¼
Eligible non-member banks	4¼@4⅛	4⅜@4⅛	4⅜@4⅛
Ineligible bank bills	5¼@4	5¼@4¾	5¼@4¾

For delivery within thirty days:

	Per cent.
Eligible member banks	4½
Eligible non-member banks	4⅝
Ineligible bank bills	6

Discount Rates.—The following table gives the current rates of the twelve Federal Reserve banks on commercial paper on all periods up to ninety days:

	Maturity: Within 15 days, including member banks' collateral notes	16 to 60 days, inclusive	61 to 90 days, inclusive
Boston	4	4¾	4¾
New York	4	4¾	4¾
Philadelphia	4	4¾	4¾
Cleveland	4¼	4¾	4¾
Richmond	4¾	5	5
Atlanta	4	4¾	4¾
Chicago	4	4¾	5
St. Louis	4	4¾	4¾
Minneapolis	4	4¾	5
Kansas City	4½	5¼	5¼
Dallas	4	4¾	5
San Francisco	4	4¾	4¾

London Money Rates.—LONDON, Sept. 14.—Money was unchanged at 3 per cent. Discount rates were short and three months' bills 317.82 per cent. Gold premium at Lisbon remained 130.00.

Bank Clearings.—Bank clearings yesterday were:

	Exchanges.	Balances.
Boston	$49,055,379	$12,681,511
Philadelphia	63,610,002	12,560,444

Silver.—London, 49½d, unchanged; New York, 101⅛c, unchanged; Mexican dollars, 78c, unchanged.

Sub-Treasury. — The banks lost $200,000 to the Sub-Treasury yesterday.

The Dollar in Foreign Exchange

Rates on foreign countries moved extremely narrowly in the New York exchange market during the last week. Moreover, activity was greatly restricted and virtually no changes of vast significance were recorded.

Neutral exchanges, which sagged strikingly in late weeks as a result of the steady infiltration of Marshal Foch's forces into the German positions, were a trifle firmer during the last seven days. As the Allied forces drew up to the Hindenburg line and the question as to whether the enemy would retreat further or give battle in his prepared positions became uppermost in the minds of observers, the neutral exchanges reflected the attitude of doubt. Toward the close of the week the notable achievements of General Pershing's army in Lorraine gave the neutral exchanges a slightly easier tone. The one outstanding exception was exchange on Switzerland, which was strong all week. A week ago the dollar would buy 4.48 Swiss francs, against 4.33 yesterday. Foreign exchange experts attributed the movement to large buying orders.

Rates on Paris were a shade firmer and those on London were virtually unchanged. Bankers are daily expecting an announcement from the Treasury Department regarding the terms of the credit which it is understood has been arranged in Spain.

If you calculate the cost of the dollar in terms of foreign money at par value—that is, if you were buying dollars with pounds, marks or francs—its value at the close of last week, as compared with a year ago, would be about as follows:

	Cost of one dollar: Yesterday.	Year ago.
In English money	$1.02	$1.02
In French money	1.08	1.10
In Dutch money	.84	.95
In Swiss money	.86	.86
In Swedish money	.80	.81
In Russian money	3.85	3.10
In Italian money	1.20	1.33
In Spanish money	.84	.82

Closing rates yesterday compared with a week ago follow:

	Yesterday.	Week ago.
(Quoted dollars to the pound.)		
Sterling, demand	$4.7545	$4.7550
Sterling, sixty days	4.73	4.73
Sterling, cables	4.7655	4.7660
Sterling, ninety days	4.71⅝	4.71⅝
(Quoted units to the dollar.)		
Francs, checks	5.48	5.48¾
Francs, cables	5.47	5.47¾
Lire, checks	6.37	6.37
Lire, cables	6.35	6.35
Swiss, checks	4.35	4.49½
Swiss, cables	4.33	4.48
(Quoted cents to the unit.)		
Guilders, checks	48¼	47¾
Guilders, cables	48⅝	47⅞
Rubles, cables	13.00	13.00
[illegible] checks	23.25	23.05
Spain, cables	23.05	23.25
[illegible] checks	33.80	30.45
Sweden, cables	34.00	33.65
Denmark, checks	30.20	30.45
Denmark, cables	30.40	30.65
Norway, checks	31.05	30.90
Norway, cables	31.25	31.10
Argentina, checks	44¾	44⅝
Argentina, cables	44⅞	44¾
India, rupees, checks	36⅜	37
India, rupees, cables	36⅝	37¼
India, rupees, cables, Reserve Bank rate	35.73	35.73

Below is given the current exchange value of foreign money in dollars and cents, together with the intrinsic gold parity, as calculated by the United States Mint:

	Current exchange value.	Intrinsic value.
Pounds, sterling	$4.7560	$4.86⅝
Francs	0.17.8	0.19.3
Guilders	0.48	0.40.2
Rubles	0.13	0.51.2
Lire, checks	0.13.33	0.19.3
Crowns (Denmark)	0.31.40	0.26.8
Crowns (Sweden)	0.33.40	0.26.8

The above rates express the cost of foreign money in terms of the American dollar. You buy an English pound sterling at, say, $4.7560. The intrinsic parity is $4.86⅝ per pound. Thus you say either that pounds are at a discount or that dollars are at a premium, which is owing to the fact that in England the demand for dollars with which to settle accounts in this country is greater than the demand in this country for pounds with which to settle accounts in England.

Relevant Comment

Pool Stocks Recover

So-called pool stocks, which declined sharply last week following the money committee's exhortation regarding the restriction of credit for speculative purposes, ended yesterday's short session at prices ranging from a fraction to more than 5 points above Friday's closing quotations. This was the first time during the week that these issues showed any marked rallying power, which was doubtless occasioned largely by short covering rather than by buying for a further rise. This opinion was borne out by inquiry in banking quarters close to the operations of the money committee, whose purpose to check speculative movements is said to remain unchanged. The greatest recoveries were in Distillers' Securities and United States Industrial Alcohol, the latter showing a gain of 5⅜ points at the closing price of 115½. Distillers at its final quotation of 52¾ was up 2½.

American Sumatra Lags

American Sumatra Tobacco was one of the few specialties that failed to respond to yesterday's upward swing. This stock, which closed the week ended September 7 at 122⅜ points, closed at 114, up only half a point on a turnover of 2,200 shares. Baldwin Locomotive, another pool favorite, closed at its top price of 88⅞ for a net advance of 1⅝, but a loss of 3⅝ points for the week. International Mercantile Marine preferred, which sold down to 97⅛ on Friday, following publication of the company's annual report, closed at 99⅞, a net gain of 1⅛. Interests of the company, although stockholders have never been officially notified, insist that negotiations involving the sale of the British assets are still under way, with prospects of a favorable termination.

Financing Awaits Liberty Loan

After the completion of the fourth Liberty Loan campaign probably one of the first industrial flotations will be undertaken by the United States Rubber Company to provide for the $9,000,000 debenture 5s of its subsidiary, the General Rubber Company, which mature on December 1. Tentative negotiations, it was reported yesterday, are already under way calling for a new issue of $6,000,000 five-year 7 per cent collaterally secured notes. The remaining $3,000,000 of the December obligation, it is understood, will be paid off from current cash resources. Another industrial offering of importance that awaits the termination of the next government war loan is a new issue of $25,000,000 notes by the American Tobacco Company to take care of a similar amount of acceptances that fall due in December.

New Guaranty Office for Soldiers

To provide additional facilities for the financing of the American expeditionary force in France, the Guaranty Trust Company will open to-morrow a new office at Tours. George N. Cooper, formerly in the trust office here, will be manager of department of the company's main office here, will be manager of the Tours office. Walter F. Mulledy, formerly assistant cashier of the foreign department, will be assistant manager. The Guaranty Trust Company has two offices in London and one in Paris.

Ship Wrecking Concerns Are Salvaging Battlefield Iron

The French and British governments are salvaging scrap iron found on battlefields on the estern front and working the best of the material over into steel and iron bars. The poorer quality is being transported to Swansea, Wales, within twenty miles of which is located 80 per cent of the tin, terns and black plate mills of the United Kingdom, and distributed to local iron and steel manufacturing plants where it is transformed into steel bars for the tinplate industry. Two large shipwrecking concerns with offices at Swansea are handling the scrap material of this character imported by the British.

New Stock Exchange Firm

R. H. Thomas, a former president of the Stock Exchange, has formed the brokerage firm of R. H. Thomas & Son, with offices at 25 Broad Street. Mr. Thomas has had no firm conections for a number of years, but has maintained an office at 71 Broadway. Frederick H. Thomas, his son, will conduct the office end of the business, the father being the floor member.

Guadalajara Corn Crop

Owing to extensive planting and plenty of rain at the right season the corn crop in the Guadalajara district in Mexico promises to be the largest in years.

Federal Reserve Banks

WASHINGTON, Sept. 14.—Stronger demand for commercial credit was reflected by the Federal Reserve Board's weekly statement, showing total bills held by the twelve banks at the close of business last night as $1,852,997,000, or $77,257,000 more than a week ago. The report follows:

RESOURCES	Sept. 13.	Sept. 6.
Gold coin certificates in vault	$385,214,000	$383,228,000
Gold settlement fund (F. R. Board)	465,298,000	495,531,000
Gold with foreign agencies	5,829,000	5,830,000
Total gold held by banks	$857,341,000	$885,589,000
Gold with Federal Reserve agents	1,123,132,000	1,087,760,000
Gold redemption fund	44,086,000	43,634,000
Total gold reserves	$2,024,559,000	$2,016,983,000
Legal tender notes, silver, etc	53,173,000	53,511,000
Total reserves	$2,077,732,000	$2,070,494,000
Bills discounted—members	1,613,247,000	1,541,999,000
Bills bought in open market	239,750,000	223,741,000
Total bills on hand	$1,852,997,000	$1,775,740,000
United States government long term securities	29,563,000	29,768,000
United States governm't short term securities	33,777,000	28,030,000
All other earning assets	81,000	75,000
Total earning assets	$1,916,418,000	$1,833,613,000
Uncollected items	697,225,000	642,377,000
Five per cent redemption fund against Federal Reserve Bank notes	1,405,000	1,313,000
All other resources	13,013,000	12,076,000
Total resources	$4,705,793,000	$4,559,873,000
LIABILITIES		
Capital paid in	$75,553,000	$78,359,000
Surplus	1,134,000	1,134,000
Government deposits	206,733,000	197,325,000
Due to member banks—Reserve account	1,469,603,000	1,465,102,000
Collection items	527,762,000	461,640,000
Other deposits, including for'n gov't credits	115,302,000	119,960,000
Total gross deposits	$2,319,390,000	$2,244,027,000
Federal Reserve notes in actual circulation	$2,245,429,000	
Federal Reserve Bank notes in circulation, net liability	27,672,000	23,964,000
All other liabilities	33,615,000	31,710,000
Total liabilities	$4,705,703,000	$4,559,873,000

Ratio of total reserves to net deposit and Federal Reserve note liabilities combined 53.7 per cent. Last week 54.9.

Ratio of gold reserves to Federal Reserve notes in actual circulation after setting aside 35 per cent against net deposit liabilities 67.2 per cent. Last week 69.5.

Federal Reserve Bank of New York

The weekly statement of the Federal Reserve Bank of New York, as of September 13, compared with a week ago, follows:

RESOURCES	September 13.	September 6.
Gold coin and gold certificates:		
Gold in vaults and settlement fund	$331,946,976	$406,590,159
Gold with F. R. agent and in redemption fund—F. R. notes	312,164,715	312,120,115
Gold with foreign agencies	2,010,961	2,010,961
Total gold reserve	$646,122,653	$720,721,236
Legal tender notes, silver certificates and subsidiary coin	45,358,015	45,705,748
Total reserve	$691,480,669	$766,426,984
Bills discounted and bought:		
Rediscounts and advances — Commercial paper	144,080,255	144,446,789
Rediscounts and advances—U. S. obligations	477,764,773	439,651,922
Acceptances bought	123,016,463	120,762,029
Totals	$744,861,491	$704,860,740
Investments:		
United States bonds and notes	19,783,450	15,335,350
Totals	$19,783,450	$15,335,350
Due from other Reserve banks	—	—
Total resources	$1,456,125,611	$1,486,623,075
LIABILITIES		
Capital	$20,162,300	$20,108,800
Member banks' deposits (net)	592,564,140	604,187,088
Non-member banks' deposits (net)	3,766,477	4,283,215
Government deposits	21,487,170	42,788,738
Due to other Federal Reserve banks (net)	7,490,891	10,578,122
Due to War Finance Corporation	268,765	6,731,034
Federal Reserve notes (net)	686,399,435	678,298,405
Foreign government accounts	107,253,118	105,817,057
Other liabilities	7,719,949	7,289,249
Surplus	649,363	649,363
Total liabilities	$1,456,125,611	$1,486,623,075
Federal Reserve notes outstanding	747,033,355	742,293,355
Against which there is deposited with Federal Reserve agent:		
Gold and lawful money	297,164,715	297,164,715
Commercial paper	744,861,492	704,860,740

New York Clearing House Banks

The actual condition of the member banks, shown by the Clearing House yesterday, with the changes from the preceding week, follows:

Loans, discounts, investments	$4,516,374,000	Dec.	$31,790,000
Cash in vaults of Federal Reserve members	100,467,000	Inc.	4,569,000
Reserve in Federal Reserve Bank	499,398,000	Dec.	38,508,000
Cash in vaults of state banks and trust co's	11,355,000	Dec.	246,000
Reserve in depositories	7,257,000	Dec.	777,000
*Net demand deposits	3,721,280,000	Dec.	43,824,000
Net time deposits	164,522,000	Inc.	5,036,000
Circulation	35,658,000	Inc.	45,000
Aggregate reserve	518,010,000	Dec.	39,471,000
Excess reserve	24,761,220	Dec.	23,954,220

*United States deposits deducted, $181,016,000.

Price-Fixing Fear Causes Commotion In Cotton Market

Declines Averaged More Than 100 Points at the Lowest

President Wilson's statement that the price of cotton would be fixed should such action become necessary after investigation, led to wild excitement in the Cotton Exchange yesterday and depressed prices on an average of more than 100 points. Despite Bernard M. Baruch's similiar remarks a few days ago, traders were surprised at the new warning and interpreted it to mean that definite action was closer at hand than had been generally believed.

In the short trading session selling was active and seemed to come from all sources, but after an initial collapse of prices the offerings were fairly well absorbed and the fluctuations were constantly reflecting the activity of traders who were rushing to even up commitments pending further developments in the proposed inquiry into the cotton situation under the auspices of the War Industries Board. October contracts sold off to 33.08 at the start, making a decline of 135 points from Friday's closing price, and of 242 points from the high level of last Tuesday. A rally to 33.70 followed, and then the contract eased off to 33.29. The general list closed at a decline of 85 to 133 points.

Sentiment Against Price Fixing

Although the sentiment around the ring deprecated the absolute fixing of cotton prices, the members found much to commend in the President's diagnosis of coton problems.

"There are two reasons given in President Wilson's statement," said Walter L. Johnson, president of the exchange, "which are commendable and which will meet with the approval of cotton growers and handlers throughout the country. They are, first, the plan to have domestic mills take a proportionate share of all grades of cotton, and also to purchase for foreign governments as well as for the United States and distribute the various grades pro rata.

"Heretofore the foreign countries have been taking all the white cotton they could purchase, and have left the lower grades for consumption in this country, and the new plan would work out to the satisfaction of every one, so far as I can see.

"However, I am opposed to price fixing, and this is not necessary at present. There does not appear to be any good reason in my opinion why a definite price should be named, whether the figure be high or low. By far the best plan that has yet been proposed is the one calling for the appointment of a committee of three to purchase cotton for this country and the Allies. Such a committee could name a price that it would pay during a certain period and the planters would have to come to the committee and sell, mainly because by far the greater part of the cotton crop of this country is being consumed by the governments. Such a plan would be price fixing enough, and this would cause a price to be named which would be flexible and could be advanced or lowered in accordance with the conditions prevailing at the time the purchases were made."

Traders Expect Drastic Changes

Other opinion around the exchange was in most respects similiar to Mr. Johnson's. Many of the traders, however, expressed the belief that price fixing seemed almost certain, and nearly all seem to expect drastic changes in the marketing of the Southern staple.

The President's announcement cast all other market factors into relative oblivion. The census report, showing domestic mill consumption of 534,914 bales for August, against 569,488 last year, elicited little comment. It was suggested that the indication that methods would be considered to eliminate speculation and hoarding increased the nervousness and chaos around the ring. Some held, however, that the reference was to operations in spot cotton and would not seriously interfere with the future exchanges.

The market moved most remarkably at the opening, first prices being 109 to 135 points lower, with active months selling 130 to 140 points under Friday's closing figures. Covering was heavy on the initial decline, causing rallies of 60 to 70 points from the lowest, but liquidation continued and closing prices showed recoveries of only 20 to 35 points. Exports for the month of August were 287,450 bales, against 459,661 bales.

Local Spot Market Steady

The local market for spot cotton was steady and 115 points lower at 35.05c for middling upland; sales nil. Southern spot markets follow: Galveston steady, 70 points lower at 34c; sales, 660 bales. New Orleans steady, unchanged at 33.50c; sales, 1,829 bales. Mobile nominal, unchanged at 33.25c; sales nil. Savannah quiet, 75 points lower at 33c; sales, 310 bales. Wilmington steady, unchanged at 33.75c; sales nil. Baltimore nominal, unchanged at 35c; sales nil. Augusta steady, 112 points lower at 32.63c; sales, 1,587 bales. Memphis steady, unchanged at 34.50c; sales, 350 bales. St. Louis steady, unchanged at 34.50c; sales nil. Houston steady, 100 points lower at 33.50c; sales, 5,485 bales.

A comparison of prices follows:

	Yes'day's close.	Previous close.	Year ago.
Cash	35.05	36.20	21.45
Contract:			
October	33.29	34.43	20.28
December	32.62	33.65	20.13
January	32.50	33.46	20.09
March	32.30	33.32	20.23
May	32.20	33.21	20.40

Cotton Prices Make Record Decline at New Orleans

NEW ORLEANS, Sept. 14.—The widest drop ever recorded in cotton took place on the opening of the contract market to-day, when prices fell 227 to 235 points in the first eight minutes of trading. After the first wild burst of offerings, which found few buyers, the market steadied up somewhat, and final prices showed net losses for the session of 101 to 112 points.

Machinery Duty Abolished

A decree published at Mexico City exempted from import duty all mining and industrial machinery from September 1. Before that date the duty was $0.45 per 100 pounds.

FINANCIAL MEETINGS

SOUTHERN PACIFIC COMPANY.
NOTICE OF MEETING.
165 Broadway, New York, N. Y.,
July 11, 1918.

A Special Meeting of the Stockholders of the Southern Pacific Company will be held at the office of this Company in Anchorage, Jefferson County, Kentucky, on Wednesday, October 9, 1918, at 12 o'clock noon, standard time, for the following purposes, viz.:

To authorize, approve and ratify (1) the execution and delivery of a contract or contracts between this Company separately or jointly with any one or more or all of its proprietary and affiliated companies, as party or parties of the first part, and the United States, or its representative, as party of the second part, relating to the compensation to be paid for the possession, use and control of the railroad and system of transportation, and its appurtenances, of this Company and of such of its proprietary and affiliated companies, if any, as shall be parties to such contract, and to the operation, maintenance and return of such properties, and to any other matter connected with or growing out of the taking over of the said properties by the President of the United States, and (2) any action of the Board of Directors of this Company in respect thereto; to authorize the said Board (1) to alter, amend or add to such contract, (2) to collect the compensation to be paid under such contract, and, if said contract be joint, to agree with the other companies parties thereto as to the division of said compensation, and to take all such other and further action as the said Board shall deem necessary to secure adequate compensation, proper use, operation and maintenance, and a timely return of the properties so taken over; and generally to consider and act upon any and all questions and matters incidental to the purposes aforesaid or growing out of the aforesaid Federal Control of properties of this Company and its proprietary and affiliated companies.

For the purposes of the meeting the books for the transfer of stock will be closed at 3 o'clock P. M., Tuesday, September 24, 1918, and will be reopened at 10 o'clock A. M., Thursday, October 10, 1918.

By order of the Board of Directors.
HUGH NEILL, Secretary.

Cotton Mill Men Want Price Fixing

Boston Authority Says There Is Profiteering and Discrimination

(Special Correspondence of The Tribune)

BOSTON, Sept. 14.—The manufacturers have told the price-fixing committee, says the editor of the "American Wool and Cotton Reporter," that they are losing money paying 36 to 37 cents for cotton while their goods prices are based on 30 cent cotton. If the price of cotton is to be fixed, the price of the finished goods should be fixed. Radical profiteering is going on down through the trade and the ultimate consumer has to pay prices which are not justified.

Manufacturers do not argue that a low price should be established for cotton, but rather that some price should be established. They will never be satisfied as long as it is possible for others to obtain the profits which are now being secured. It is discrimination to regulate manufacturers, as has been done in regard to grey goods, and no one else, even though the profits allowed to the manufacturer are large. It is the principle which is objectionable.

If some of those in authority would really get at the facts in the matter, they would have the biggest surprise of their lives as to existing conditions and would learn how much real harmony exists in the trade. Conditions might have been developed where the true Americanism of the trade could have been brought out, but while there are a few houses which are too patriotic to criticize, there are a great number who are becoming almost socialistic in their attitude as far as present methods are concerned. The coöperation of the whole trade has not been obtained; in fact there is less coöperation at present than at any time since the war started.

Bank Report Shows Scotch Thrift and Patriotism

Savings bank reports show that the Scotch are as thrifty in war as in peace times, and are accumulating money in spite of high prices for food, clothing and everything else. The Dundee Savings Bank had at the end of the last fiscal year deposits totalling $13,194,580, a gain of $1,000,996 in a year. Depositors are supporting the British government in the war with Germany just as Americans are buying Liberty bonds. The bank has bought government stocks and bonds to a total of $3,346,443 for 8,366 investors.